

COUNTY OF ORANGE
AUDIT OVERSIGHT COMMITTEE

MEETING MINUTES
Wednesday, June 8, 2005, 4:00 p.m.

The Audit Oversight Committee of the County of Orange met on June 8, 2005 at 4:00 p.m., in the CEO Main Conference Room 10 Civic Center Plaza, Third Floor, Santa Ana, California.

Members Present/Absence Noted:

Present: Supervisor Bill Campbell, Chair, Board of Supervisors
Supervisor Tom Wilson, Vice-Chair, Board of Supervisors
Mr. David Sundstrom, Auditor-Controller
Mr. Tom Mauk, CEO
Dr. Dave Carlson, Public Member, Chair, Audit Oversight

Absent: Mr. John Moorlach, Treasurer-Tax Collector, Ex-Officio Member

1. Call to Order: (Dave Carlson, Ph.D., Chair, Audit Oversight Committee)

Dr. Carlson, Chair, called to order the meeting on June 8, 2005 at 4:06 p.m. Dr. Carlson asked for roll call before proceeding with the agenda. Supervisor Wilson arrived to the meeting at 4:12 pm and had to leave at 4:40 pm.

Committee Members:

Mr. Mauk, Mr. Sundstrom, Dr. Carlson, Supervisor Campbell, Supervisor Wilson

Guests:

Ed Corser, CFO; Internal Audit Staff: Peter Hughes, Ph.D., Eli Littner, Autumn McKinney, Alan Marcum, Camille Gackstetter, Cindy McHale, Susan Nestor, Vangie Ortiz, Renee Aragon, Audrey Gregory; Auditor-Controller Staff: Claire Moynihan, Denise Steckler; Macias, Gini and Company: Jean Horimoto, James Godsey; Third District Staff: Bryan Rayburn; Fifth District Staff: Lisa Smith; County Counsel: Thomas Agin.

2. Approval of Minutes from February 23, 2005, 2004 (Dave Carlson, Ph.D., Chair, Audit Oversight Committee)

Recommended Action: Approve

Approved as recommended.

3. Required Communications (Macias, Gini and Company)

Recommended Action: Discussion

Mr. Godsey of Macias, Gini and Company stated he was going to start the annual audit and asked members of the AOC if they had any concerns. Various comments were made about new regulations regarding reporting pension liabilities and expenses.

Dr. Carlson asked if the internal auditors had any concerns about the Treasurer's investments now that the internal auditors were replaced with an outside CPA firm. Mr. Godsey replied he needed to have confidence in the work of the new CPA firm, and he would have to review the work to obtain this confidence. Dr. Carlson asked Dr. Hughes if the County would have access to the working papers of the new vendor? Dr. Hughes said he would research the specifics. Dr. Carlson requested Dr. Hughes do so and report back at the next AOC meeting.

Supervisor Wilson excused himself from the meeting at 4:40 pm.

4. IIA Recognition of Excellence Award (Dr. Peter Hughes, Director, Internal Audit Department)
Recommended Action: Discussion

Dr. Hughes announced that his department has won the equivalent of an Academy Award for excellence. Dr. Hughes notified the AOC that his department had been awarded a very prestigious award from the Institute of Internal Auditors. He stated that only about twenty internal audit departments receive this award each year from around the world, and he went on to say only one other County audit department had ever received this award for excellence. Typically, Fortune 500 companies only receive it.

5. Audit Plan Revisions (Conversion from Calendar Year to Fiscal Year) (Dr. Peter Hughes, Director, Internal Audit Department)
Recommended Action: Amended Recommended Action to Approve

Dr. Hughes presented the new 18-month plan, which will bring the department in sync with the fiscal year calendar. The largest audit is Item 36 (on the handout). Supervisor Campbell suggested the audit be expanded to include Pension Liability and "Other Retiree Post Employment Benefits", and GASB 45. David Sundstrom questioned the scope. Dr. Hughes replied that they were trying to frame the scope to specifically examine process controls. Supervisor Campbell requested Dr. Hughes to clarify the scope of this audit and include any revision of hours necessary at the next meeting. Tom Mauk mentioned he supported Items 9 and 37 as noted on the audit plan.

Note to Minutes: Post Employment Benefits have been added to Page 3, #36. Dr. Hughes is to come back with the scope.

Approved as recommended.

6. Status Report #2, period 1/1/05-5/26/05 (Dr. Peter Hughes, Director, Internal Audit Department)
Recommended Action: Receive and File

Dr. Hughes explained the report is presented to gauge our progress on the audits we undertake and that this report has evolved over the years with the help of the AOC. It serves both internal and external purposes. It is a transparent document with milestones & comments noted on the right hand side. It helps the AOC to get a better feel of the progress we are making and the audits we undertake. There are no major overruns to report. Initial budget is an estimation of what it is going to take to do the work. When in the field, actual hours evolve. We are on target to complete the audits. Good progress is being made on a number of fronts, and we are underscoring our work on the leaseholds so the County collects the money due from vendors.

Approved as Recommended.

7. External Audit Coverage, Third Quarter, FY 04/05 (Dr. Peter Hughes, Director, Internal Audit Department)
Recommended Action: Receive and File

This is a document that enables us to identify external audits. It is one of the Bylaws of the AOC, and it is also a solid document that gives a heads-up to Federal, State and other audit activities. There are

no major changes to report. A new executive summary was created to identify overall changes from one quarter to the next.

Approved as recommended.

Executive Summaries of Audit Assignments, Period 02-24-05 to 06-08-05 (Dr. Peter Hughes, Director, Internal Audit Department)

Dr. Hughes stated the highlighted text is to draw attention to the AOC members to help identify points of interest. David Sundstrom commended the IAD on their implementation of standard forms, processes and templates.

Approved as recommended.

8. Set Reporting Quarters and AOC meeting dates

Recommended Action: Approve

Dr. Hughes said Item 9 is to ensure Reporting Quarters coincide with AOC meetings.

Approved as recommended.

10. Next Meeting:

- ◆ To be determined
- Agenda Item Suggestions/Action

11. Public Comments

None.

12. Adjournment

The meeting was adjourned at 4:55 p.m.